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May 21, 2012

Mayor William V. Bell and Members of the Durham City Council:

I am pleased to present the proposed budget for Fiscal Year 2012-13. The annual operating budget is the most important policy decision elected officials consider on an annual basis. This proposed budget is intended to allocate limited resources to the highest community priorities guided by the City's Strategic Plan. During the budget development process we prioritized programs and initiatives, reviewed expenditure requests extensively and sought opportunities to improve efficiency while ensuring that essential public services continue to meet the needs of the community. Although this process was again challenging, the prudent decisions made over the last few years significantly reduced the budget gap. This process required tremendous effort, commitment and collaboration from City departments and budget staff. I am confident the budget is fiscally responsible and addresses the needs of Durham citizens.

Durham citizens' participation in the budget process has been nationally recognized. During the development of this budget we held five "Coffee with Council" and a "Citizen Engagement Workshop" which focused on the prioritization of Strategic Plan initiatives. Staff attended various other community meetings to confirm the community's budget priorities. City Council budget retreats were held in February which gave City Council members an opportunity to discuss and confirm priorities for the upcoming fiscal year and allowed the Administration to brief City Council on financial projections for the upcoming budget. The result of these transparent interactions yielded generally the same major community priorities, all of which are included in one of more of the City Council goals:



- Strong and Diverse Economy
- Safe and Secure Community
- Thriving and Livable Neighborhoods
- Well-Managed City
- Stewardship of City's Physical Assets

To guide the development of the proposed budget the City Council adopted budget guidelines. These guidelines along with the strategic plan served as the framework for developing the budget, and included:

- Reserves in the **Debt Service Fund** will be used in-lieu of a tax increase to cover increases in debt service costs.
- **General Fund fund balance** will not be projected to fall below 12% at the end of FY2012-13. Projected General Fund balance over 12% may be considered for one-time (non-recurring) expenditures.
- Funding of the **Downtown Business Improvement District (BID)** will be considered with a tax increase of up to 7 cents per \$100 assessed value on the property within the boundaries of the BID.
- Establishment of a dedicated **Housing Fund** will be considered with up to an additional 1 cent per \$100 assessed value property tax increase.
- **Non-recurring funds** shall not be directed toward recurring uses.
- **Fee adjustments** will be considered, as appropriate, to align fee revenues with cost of services for better cost recovery rates.
- **Parks and Recreation fees** will be adjusted and simplified based upon guidance from City Council.
- Proposed **water and sewer rate** increases will not exceed an average of 4% for FY2012-13.
- Proposed **stormwater rate** increases will not exceed 8.5% for National Pollution Discharge Elimination System (NPDES) required monitoring, maintenance and watershed plan implementation.
- Property tax dedicated to support debt service paid from the **Debt Service Fund** should not exceed 15% of total expected property tax collections plus all other General Fund and Debt Service Fund revenues.
- Consider **employee compensation adjustments** as a priority; therefore, the following **pay and benefit** components will be proposed:
 - Pay for Performance (P4P) pay plan for General employees (2%)
 - Pay Plan for sworn Police and Fire employees (3%-5%)
 - Supplemental Retirement - 401K (increase by 0.5% to 4.5%)
 - Medical and Dental insurance – the priority will be to limit increased costs for the City and employees
- Priority will be given to those requests that support the **Strategic Plan initiatives**.
- Funding for **deferred maintenance** will be increased to \$600,000 for FY2012-13 (an increase of \$100,000 compared to the FY2011-12 budget).
- A **dedicated street resurfacing** fund will be established for paving and maintenance of streets and sidewalks, and will be funded at \$1 million (an increase of \$500,000 compared to the FY2011-12 budget).
- Funding for **capital projects** will be provided in the form of pay-as-you-go funding or for debt service payments, and will be established at a minimum of \$500,000.
- **Public Transit Services** (including consideration of route adjustments resulting from the Building a Better Bus Service Plan). General Fund support for expanded services beyond 3.2 cents per \$100 must be specifically allocated by the City Council without impact to other General Fund allocation.

- **Fleet funding** will be maintained to replace vehicles with costs not to exceed \$3 million for the General Fund.
- **New positions** will only be funded for a partial year when warranted by the timing of the actual operational impact on the budget.
- Up to \$166,000 will be provided to support the contract with the NC Administrative Office of the Courts for the **Domestic Violence Court Contract**.

BUDGET OVERVIEW

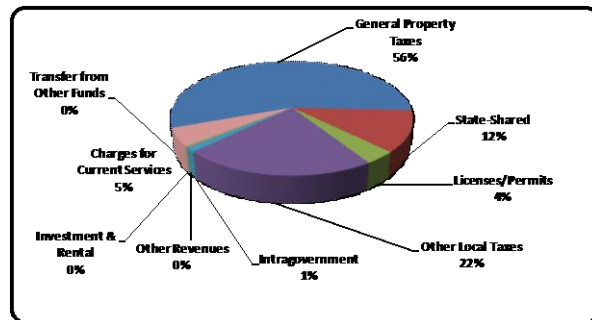
The total **proposed budget** for **FY2012-13** is **\$372.7 million** compared to \$362.5 million for FY2011-12, an increase of \$10.2 million (2.8%).

GENERAL FUND

The proposed **General Fund budget** (which provides funding for core city services) is **\$176.6 million** and represents a \$6.2 million (3.4%) budget reduction from the FY 2011-12 budget of \$182.8 million.

Revenues

- The General Fund shows a **8.1% decrease in property tax revenues** recognized in the General Fund due to the change to (1) recognize the property tax allocation to support the Transit Fund in the Transit Fund compared to FY2011-12 when the revenues were recognized in the General Fund and a transfer was budgeted to move the funds to the Transit Fund and (2) recognize the property tax allocation to support Fleet in the Debt Reserve Fund. These reductions are partially offset by growth and a 1 cent tax increase dedicated to housing.
- A 5.3% increase in **sales tax**.
- A 2.4% increase in **Business Licenses** revenue.
- Overall increase in **State Collected Local Government Revenues** of 3.1%.
 - A 2.4% increase in **Powell Bill** revenues
 - A 3.0% increase in **Beer and Wine tax**
 - A 3.4% increase in **Utility Franchise tax**
- A 12.7% decrease in transfer from **fund balance**.
- A 1.6% increase in **inspection fee** revenues and a 22.4% increase in **planning fee** revenues reflect a positive trend in development activity for FY2012-13 and an alignment with projected FY2011-2012 fee collections.
- A 16.6% increase in **investment earnings**.



Property Taxes

The proposed budget includes a **property tax rate increase of 1 cent** per \$100 of assessed value, increasing the tax rate for **FY2012-13 to 56.75 cents** per \$100 of assessed valuation compared to the FY2011-12 rate of 55.75 cents per \$100 assessed valuation. **The tax rate of 56.75 cents per \$100 is allocated as follows:**

- **40.03 cents per \$100 for General Fund operations**
- **12.49 cents per \$100 for Debt**
- **3.23 cents per \$100 for Transit**
- **1.0 cent per \$100 to establish dedicated housing funding**

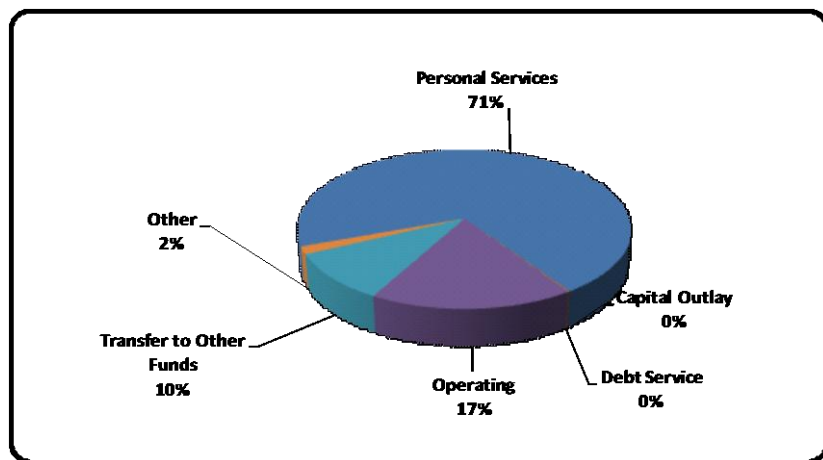
A tax rate increase of 1 cent per \$100 on a house valued at **\$150,000 increases the annual tax bill by \$15.00.**

Expenditures (budget-to-budget)

- **Personnel** expenditures increased by \$3.2 million (2.6%).
- **Operating** expenditures decreased by \$2.8 million (7.7%) which

includes the additional 1 cent per \$100 of assessed value dedicated to housing. Excluding the additional funding for housing, operating expenditures decreased by 14.9% (\$5.4 million).

- **Capital and Debt** expenditures decreased by \$0.4 million (61.6%).
- **Transfers** decreased by \$6.2 million (26.3%).



WATER AND SEWER FUND

The Water and Sewer Fund budget of \$89.9 million adequately supports water and sewer operations and increased infrastructure debt service costs.

Revenues

Moderate increases for water and sewer volume charges and service charges are budgeted for FY2012-13. The total rate increase to the average customer is about 2.7%. Rate changes were adopted at the May 7, 2012 City Council meeting and will be effective July 1, 2012, with implementation in the August and September billings.

	FY 12 Rates	FY 13 Rates
<u>Monthly Water Rates (inside)</u>		
Service Charge	\$5.56	\$5.77
Volume Charge - Tiered Rates (per 100 cubic foot - ccf)		
Tier 1 (0 - 2 ccf)	\$1.73	\$1.74
Tier 2 (>2 - 5 ccf)	\$2.60	\$2.62
Tier 3 (>5 - 8 ccf)	\$2.85	\$2.87
Tier 4 (>8 - 15 ccf)	\$3.72	\$3.75
Tier 5 (>15 ccf)	\$5.57	\$5.62
<u>Monthly Sewer Rates (inside)</u>		
Service Charge	\$6.49	\$6.73
Volume Charge (per ccf)	\$3.56	\$3.67

These rate changes account for most of the 3.5% increase in water and sewer user revenues over the FY2011-12 budget. Water consumption has also been increasing over the past few months and is expected to continue. The primary difference in overall fund revenues is due to the appropriation of \$6.7 million in fund balance in FY2012-13 to increase the transfer to fund Capital Improvement Projects. This is a \$5.2 million increase over FY2011-12.

Expenditures

Water and Sewer Capital Improvement Program (CIP) projects total \$9.85 million to improve the infrastructure required to ensure adequate water supply, treatment and delivery, and an additional \$21.8 million for wastewater projects for FY2012-13. A \$20 million transfer to the CIP is planned for FY2012-13, a \$10.3 million increase over FY2011-12.

Operating expenses have been refined for FY2012-13, resulting in a nearly \$1.6 million reduction. Over \$0.5 million of this reduction is due to lower required contributions to internal Risk and Other Post Employment Benefits service funds. The balance is from departmental operating items.

HIGHLIGHTS OF THE FY2012-13 BUDGET

Well-Managed City – provide professional management that is accountable, efficient and transparent.

Based on the 2011 Resident Satisfaction Survey, residents were generally satisfied with City customer service; 78% of residents were satisfied or very satisfied with how courteous city employees were and 71% with how easy City employees were to contact. Both of these demonstrate City employees' commitment to the "Culture of Service" initiative. We value our employees' contribution to making Durham a great place to live, work and play.

Employee Compensation and Benefits

- The City's contribution to the employee **401K** provides additional retirement savings for employees. This budget proposes to increase the City's contribution **from 4% to 4.5%** of eligible employees' salary in an effort to return to the 5% contribution previously provided by the City. State statute requires local governments to contribute 5% for sworn law enforcement officers.
- In accordance with State Statute, the retirement rate for general employees decreased from **6.88% to 6.74%**, and from **7.35% to 6.77%** for law enforcement officers for the **Local Government Employees Retirement System (LGERS)**, allowing the City to decrease its retirement contribution for all employees.
- The City hired a Senior Human Resource Consultant during FY2011-12 to manage our newly created **Employees Health Fund** and expand our wellness programs to reduce claims. A greater analysis of benefits plan design, claims trends, and medical costs would ensure that we are managing our health care costs to the greatest extent possible. This is a \$30 million fund insuring over 5,100 people. The Administration also collaborated with the insurance broker to assist in identifying ways to reduce the cost of health insurance while continuing to provide a quality insurance program plan for its employees. All of the above efforts resulted in **no proposed health insurance premium or dental insurance increases for FY2012-13.**
- As a result of program prioritization and the resources required and available, a total of **26 positions** are proposed to be permanently eliminated. These positions are all currently vacant. Additionally, based on program prioritization and program needs, funding is included for a total of **10 new positions.**

The adoption of the City's first overall **Strategic Plan** by City Council set the direction for the future of the City and resource allocation. The Strategic Plan went through its first annual refresh and realignment in January 2012, in an effort to more effectively meet the needs of the organization and community. The original plan included 37 initiatives when adopted in April 2011, with an additional 14 initiatives added during the plan



refresh. Of the original 37 initiatives, five have been completed, seven are more than 75% complete, and twelve are more than 50% complete. Departmental Strategic Plans are also being developed to align with the overarching citywide plan.

The **Performance Management System dashboard** was launched for the public to use in August 2011. This is a tool to report progress made on the citywide measures and initiatives, providing a snapshot of performance to our citizens. It enables management to make more effective decisions about programs and services using a wide range of data. The dashboard was developed through a partnership between City staff and the Citizens Oversight Committee, consisting of 12 Durham residents. The committee provided input on site design and content with a major focus placed on using charts and graphs to tell a story. It has received both local and national recognition because of site capabilities and transparency.

An update of the **multi-year financial plan** was completed in November 2011. It provided information to clearly identify the gap faced at the beginning of the budget development process. This is a crucial component of planning for the future. This plan will project the financial impact of achieving the objectives in the Strategic Plan and the identify resources needed to fund those objectives.

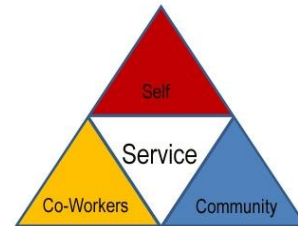
The biennial **Employee Opinion Survey** will be conducted in late fall, 2012. All departments have been working on action plans related to the results of the 2010 survey to celebrate areas where we are doing well in making the most effective use of employees and to address areas where improvements are needed. The 2012 survey will provide feedback on our progress.

The biennial **Resident Satisfaction Survey**, conducted in December 2011, indicated that overall satisfaction has improved since the 2009 survey, with 82% of residents rating the city as an “excellent” or “good” place to live and 77% rating the city as an “excellent” or “good” place to work. These ratings are up from the 2009 survey, which were 78% and 75% respectively. Results from the 2011 survey indicate that satisfaction improved in 48 of the 57 areas, including feelings of safety, since the 2009 survey. Of the 48 items that showed increases, 27 had significant increases of 5% or more, while none of the seven decreases from 2009 were statistically significant. The results from this survey help the City determine priorities for the community as a part of the Strategic Plan and the ongoing budget planning process.

At the same time, staff continues to focus on **streamlining processes, implementing best practices** and **planning for the City’s future**, all in an effort to explore opportunities to make our employees and processes more efficient and effective. In FY2011-12, **Process Improvement Studies** were conducted with both the Human Resources and Finance/Risk Management departments. The **Human Resources** process consisted of several phases that included the following: (1) conducting a departmental internal Strengths, Weaknesses, Opportunities, and Challenges (SWOC) assessment; (2) collecting external data through benchmarking, employee focus groups, surveys, and interviews; (3) and the analyzing of data to include

recommendations for improvement and solutions to address the identified weaknesses. Priority recommendations were identified and a timeline for implementation was developed with the Human Resource management team and staff. The **Risk Management** process focused on the development and implementation of enhancements needed to streamline the citywide workplace safety program, based on recommendations from a recent Safety and Health Gap Analysis Report. A restructuring of the Loss Prevention Committee, with a greater focus placed on loss leading activities, incident rates, hazard identification, and worker compensation claims, along with the City's first Risk Management Safety Summit, and the Safety Expo, were all accomplished during the first six months of the process. At the conclusion of each Process Improvement Study, the Process Improvement Team continues to provide oversight to ensure successful implementation of the priority action items.

An ongoing initiative, the **Culture of Service** organizational renewal and employee engagement effort, is taking root in departments, particularly in the area of Service to Community. City employees contributed over 1,000 hours of labor towards building a home with Habitat for Humanity at 1002 Chester Street. The City will begin a new project late in the summer. The focus during FY 2012-2013 will be to emphasize the benefits of Service to Self and Service to Co-Workers for the advancement and improvement of the organization.



Accountability - The City continues to maintain its excellent fiscal status evidenced by:

- A continuing **AAA bond rating** by all three rating agencies, the highest measure of financial security and one attained by only 38 of the nation's more than 22,500 cities;
- **Unqualified opinions by independent auditors** of the City's financial statements and compliance with major federal and state grants;
- A **strong Audit Services Department**, ensuring compliance with applicable laws, policies and procedures, in addition to operating a "fraud, waste and abuse" hotline;
- Developing **performance measures** for all programs and services. We will communicate the return on the taxpayer's investment through these measures, which will be reported to the community via our **performance management dashboard**. These measures will help us to continually improve as an institution by monitoring progress toward our stated goals.

Awards and Recognitions – The City continues to be recognized for its best practices.

- The Public Technology Institute designated the City of Durham, a **Citizen-Engaged Community for 2011-2013**. The program was developed to recognize excellence in best practices for the use of Citizen Relationship/Records Management (CRM) systems, 311 services, web portal technology, telephony systems and mobile communications infrastructure.

Durham was one of only ten cities nationally to be awarded this designation. Durham received this award based on its use of technology to engage citizens.

- Fleet was recognized in **2011 by Government Fleet Magazine** as one of the Best 100 Fleets in North America. This recognition is based on a fleet program displaying best management practices.
- The Purchasing Division was awarded the **Sustained Professional Purchasing Award (SPPA) for 2011**. The SPPA is the highest award a purchasing department or division can obtain within the Carolinas Association of Governmental Purchasing (CAGP). The award recognizes sustained excellence in purchasing standards during the previous calendar year. The criteria for the award include the use of technology, minority outreach, staff certification, customer training, vendor training, and the use of recycled products.
- The North Carolina Association of Government Information Officers (NCAGIO) recognized the City's Office of Public Affairs with first place awards for its **2010 Street Bond Voter Education Campaign and its "Creating Connections" – 2010 Year in Review video**. The Durham Police Department also won a second place award for its 2010 annual report, "Behind the Badge."
- The Government Finance Officers Association GFOA presented the **Distinguished Budget Presentation Award** to the City's Budget and Management Services Department for its 2011-2012 fiscal year annual budget. The GFOA's Distinguished Budget Presentation Awards Program is the only national awards program in governmental budgeting and more than 1,250 entries were submitted for this award.
- The City's Comprehensive Annual Financial Report (CAFR) was acknowledged by the Government Finance Officers Association of the United States and Canada (GFOA). The City's Fiscal Year 2010-11 CAFR was recognized with the **Certificate of Achievement for Excellence in Financial Reporting**, the GFOA's highest form of recognition in the area of government accounting and financial reporting.

Safe and Secure Community – provide safe and secure neighborhoods which are fundamental to the quality of life and economic vitality of the City.

Public Safety Services - Crime continues to be a concern of most residents. According to the results of the 2011 Resident Survey even though 86% of residents feel safe walking alone in their neighborhood during the day, only 56% feel safe walking in their neighborhood at night. Feeling safe and lowering the crime rate continue to be important issues voiced by the Council and Durham residents during the "Coffee with Council" and other public input meetings. Ensuring that the Police Department, Fire Department and Emergency Communications Center (911) are staffed and properly equipped to protect our citizens is a high priority in the FY2012-13 budget.

- To address minimum staffing levels, funding is included for **two additional Firefighters**. This will allow the Fire Department to achieve minimum staffing an additional 36% of time, reversing a recent negative trend in response times and property loss. Funding is also provided for a **Strategic**

Planning Coordinator which will manage all functional areas of the accreditation process, the risk assessment process, strategic planning process and serve as the principle records manager for the department.

- Funding is included for **two additional Police Officers** assigned to the Police Bicycle Patrol Unit to provide security at City Hall.
- In October 2010, the Police Department was notified that it had been awarded funding through the 2010 **COPS Hiring Program (CHP)** for 16 police officers. The estimated amount of the award over the three year funding period is \$2.5 million. This allowed the department to fill 16 positions unfunded during the FY2009-10 budget process. **With this funding all authorized sworn positions in the department are fully funded.** The City is required to assume funding for these 16 positions effective FY2013-14.
- **Additional overtime funding** is included for **North East Central Durham (NECD) and Southside** to increase police presence in these communities to continue to reduce crime.
- **Rental increases, facility upgrades and relocation costs** are included to provide space-appropriate operational facilities for several units of the Police Department.
- Funding is included to replace outdated **turn-out gear** and **helmets** for Firefighters.
- Funding is included to replace 911 surcharge funds previously used to cover the cost of the **Computer-Aided Dispatch** maintenance contract in the Emergency Communications Department. The State 911 Board deemed a portion of the maintenance ineligible for funding from that source.
- The Transportation Department has various functional activities that support Crime Prevention. Funding is included to maintain existing lighting and provide additional lighting, both **residential and thoroughfare lighting**.
- The fundable CIP includes funding for the replacement of the **800 MHz radio system** infrastructure for public protection in FY2012-13.
- Funding is included for the joint City/County **Warrant Control Office**. The City's contribution will cover 50% of the cost of salary and benefits for nine full-time civilian clerks, including one manager.
- Funding is included for the implementation of **Firehouse software** in the Fire Department. This software will automate the processes of the Fire Prevention Division.
- Funding is included to support the contract with the Administrative Office of the Courts (AOC) for a **Domestic Violence Judge**.

Thriving and Livable Neighborhoods – strengthen the foundation, enhance the value and improve the quality and sustainability of neighborhoods.

Housing and Code Enforcement - Vacant and boarded properties continue to affect many neighborhoods in the community and are tied to property value decline and increases in crime. A systematic approach is being established to bring unsafe and

deteriorating rental properties into compliance with the minimum housing code, and to reduce the number of vacant and boarded houses. A key focus has been to educate landlords of their rights and responsibilities to support safe housing, in compliance with the minimum housing code.

- Funding is provided for **special needs housing** to augment services provided by the Community Development Department.
- **Code enforcement** efforts will continue to focus on compelling property owners to remediate code violations. The primary focus of FY2012-13 housing code enforcement will be the reduction of abandoned houses in the City. The Neighborhood Improvement Services department is targeting the “worst condition” houses with a goal of either eliminating or having active code enforcement cases against the owners by the end of calendar year 2012.

Targeting Distressed Neighborhoods – Staff continues to take a holistic approach to improve Durham’s most distressed neighborhoods.

- Establishment of a **Dedicated Housing Fund** with an additional 1 cent per \$100 assessed value property tax increase to address housing needs.
- \$400,000 for **Neighborhood Commercial Revitalization** to enhance the tax base, create jobs for Durham residents and reduce poverty and crime.
- Funding to continue existing **housing activities** in Northeast Central Durham and Southwest Central Durham.
- The **Rolling Hills/Southside Redevelopment** project is expected to begin during FY2012-13 with the first phase of mixed income rental and homeownership development in the project area.
- Neighborhood Improvement Services will continue to enforce compliance at substandard properties, **remediate unsafe houses, clean up weedy lots and remove graffiti and abandoned vehicles** from neighborhoods.
- The **Neighborhood Vitality Index** initiative is to collect data on a wide set of variables (social, physical, crime, economic, etc.) to evaluate and improve the quality of life in Durham neighborhoods. For FY2012-13, \$53,000 is being allocated for consulting services to expand the scope of variables to be measured in the project.
- The **Boarded House Remediation Program** will provide the means for identifying and reducing the number of boarded-up vacant houses in the City. This will reduce risks to public health and safety and provide more affordable housing.

Transit Services and Durham Area Transit Authority (DATA) – The budget includes **3.23 cents per \$100 of the property tax rate** to provide continued funding to core transit services.

- Recommendations from the **Designing Better Bus Service** study have been presented to Council. Changes are anticipated for every route in the DATA fixed route system. A few passengers will be adversely affected by the service changes, but thousands of passengers are expected to benefit from efficiency, effectiveness and **on-time performance improvements** associated with the route changes.
- **Fare free transit service on the Bull City Connector** continues, providing fast, frequent fare free transit service between Duke Hospital, Downtown and Goldenbelt. This service is provided in partnership with Duke University.
- Efforts to develop a **regional plan for transit**, including but not limited to integration of light rail, commuter rail, high speed rail and bus following a successful referendum in Durham in November 2011 for a ½ cent sales tax to support transit service improvements.

Solid Waste Services – The department continues to see increasing interest in the yard waste collection program. In 2010, there were 16,483 yard waste participants, in 2013 that number is projected to reach 20,550.

- Recycling tonnage has increased from 13,152 tons to a projected 14,500 tons in FY2012-2013. The department began receiving revenue in December of 2011 for recyclables.
- Increasing the recycling participation rate and tonnage will continue to be a point of emphasis for the department.

Protecting the Environment - The City maintains an enhanced focus on sustainability to reduce greenhouse gas emissions and protect our environment.

- The City is assisting businesses to reduce energy and water use and improve their environmental performance through the **Green Business Challenge**. During this regional effort, businesses can assess their current performance in areas such as energy and water conservation, waste minimization, and healthy work environments, and then receive assistance to improve their performance.
- The City will be launching a public education campaign to increase awareness of environmental issues and encourage citizens to conserve resources and protect the environment.
- Two grants totaling more than \$2.6 million for energy conservation will be closed out in FY2012-13. Final work on these grants includes finishing home energy retrofits and energy-saving upgrades on City-owned facilities.
- This budget includes funding for a 0.5 FTE and operating expenses to support the joint City/County **Sustainability Office**.
- The City will expand and enhance our public outreach and education programs for water conservation and continue and expand the **Water Efficiency Rebate Program** that incentivizes homeowners to install water efficient fixtures in their homes.

Youth Programs - Providing year-round positive activities for youth is a continuing priority. Our goal is to engage youth through our city departments and support of local non-profits. The following points highlight activities for youth, teens and others.

- Parks and Recreation will continue **youth care programs** (after school, intersession, fun days, and summer camp) at five City Recreation Centers (Irwin R. Holmes, Sr. Recreation Center, Edison Johnson Recreation Center, Weaver Street Recreation Center, Walltown Park Recreation Center, and the W. D. Hill Recreation Center), two shared-use sites (Holton Career and Resource Center, Community Family Life and Recreation Center at Lyon Park). Summer camp will also be offered at three City Recreation Centers (T. A. Grady Recreation Center, East Durham Recreation Center, and the W. I. Patterson Recreation Center) and one outdoor park (West Point on the Eno). **Athletic programs for youth** (Jr. NBA/Jr. WNBA) provide basketball opportunities for approximately 400 youth. The **Durham Girls Soccer League** serves 600 youth. Sustaining these youth programs is a priority.

Arts and Culture - The City will continue its management agreements with the **Carolina Theatre**, the **Durham Arts Council** and **St. Joseph's Historic Foundation** for \$614,520, \$636,491 and \$292,000 respectively. This budget also includes funding for the agreement with **Lyon Park** for \$181,000. In addition, funding is included to support the creation of public art facilitated through the City's Public Art Policy.

A Strong and Diverse Economy - maintain and grow a strong and diverse economy through a variety of businesses, industries and employment opportunities for the community.

Downtown Revitalization and Parrish Street - The Office of Economic and Workforce Development will continue efforts to engage business interests in the downtown tier, building on the successes of recent years to make the downtown area a destination for Durham citizens and visitors.

- The revised **Economic Development, Financial Assistance and Incentive Policy for Job Creation, Job Retention and Capital Investment** adopted in May 2010 provides a clear blueprint for public-private partnerships that benefit Durham.
- This budget allocates \$159,990 from Downtown Revitalization reserves for **Building Improvement Grants, Merchandise-based Incentive Grants, and Sign Grants** to build economic strength in the expanded Downtown Tier.
- This budget allocates \$152,629 in Parrish Street funds for **Building Improvement Grants, Merchandise-based Incentive Grants**, and to operate the **Historic Parrish Street Forum Room** and associated educational programming to further preserve the history, highlight the unique character and promote the future of Parrish Street.

Youth Employment Opportunities -

- City departments will continue to hire youth for summer jobs through the **Mayor's Summer Youth Works Program** and encourage employees to volunteer as mentors or tutors to Durham children.
- The Durham Fire Department, in partnership with the Parks and Recreation Department and the Office of the State Fire Marshal, will continue its **Junior Fire Marshal Program**. This program exposes youth to the Fire Department as a potential future career choice.
- Parks and Recreation provides a **free aquatic school** to train teens to attain lifeguard certifications, **leading to employment with the department**. In addition to this program, job skills trainings (i.e. Safe Sitter, Job Readiness Programs) are offered for teens at many recreation centers. Campus tours offer teens an opportunity to visit and learn about programs at local colleges.
- The Office of Economic and Workforce Development will maintain the **Youth Employed and Succeeding (YES)** Program, the **Youth Work Experience** program and the **Working Hard On Achieving (WHOA)** program.

CAPITAL IMPROVEMENT PROGRAM

Stewardship of City's Physical Assets – plan, provide, and maintain adequate infrastructure which supports quality of life and serves as a foundation of a healthy economy.

The **FY2013-2018 Capital Improvement Program (CIP)** is presented to the City Council in a companion document to the FY2012-13 annual budget. The capital improvement budget **includes \$53.4 million for new projects and to complete existing projects**. Funding is provided through impact fees, Water and Sewer revenues and revenue bonds, General Fund financings, pay-as-go funding from capital reserves, and Stormwater fees.

The majority of CIP projects approved were dedicated to Water and Sewer and Stormwater enterprise projects. Funding was also granted for General Fund capital projects for projects that were deemed a priority and essential to the City's capital infrastructure needs. The City is committed to providing complete and ongoing communications to citizens and the City Council about the progress of all projects. To monitor the status of any capital project, citizens can visit our website at (<http://www.durhamnc.gov/cip>).

During the bond campaigns in 2005, 2007 and 2010, voters were informed of possible tax increases to pay debt service on bonds issued for projects. **The FY2012-13 budget does not include a tax increase for debt**. However, the budget includes a tax increase of 1 cent per \$100 to fund housing. The projected General Fund debt to appropriations ratio for **FY2012-13 is 12.00%**. The CIP budget includes:

- **General Capital Projects:**
 - \$0.80 million for Americans with Disabilities Act (ADA) compliance repairs
 - \$2.7 million for repairs to City facilities
 - \$0.25 million for new sidewalk construction
 - \$0.10 million for petition sidewalk construction
 - \$0.55 million for Federal and State matching transportation projects
 - \$0.48 million for a live fire training simulator building
 - \$6.7 million for public safety communication infrastructure
- **Impact Fee Projects:**
 - \$6 million for the continuation of the Carver Street extension project and Fayetteville Road widening project
 - \$0.30 million for sports facilities lighting
- **Stormwater Projects:**
 - \$3 million to address drainage repairs, retrofits and major stormwater infrastructure
- **Water and Sewer Projects:**
 - \$31.65 million for water and sewer improvements including water and sewer rehabilitation, construction, automated meter replacement, facilities expansions, and water source protection

The fundable Capital Improvement Plan (CIP) includes funding for a new **Police Headquarters** in FY2015-16. Funding was provided in FY2009-10 for a facility assessment study and in FY2011-12 for the replacement of elevators and HVAC systems at the current Police Headquarters.

Other capital needs will be met in the operating budget:

- **\$500,000 for Deferred Maintenance** to continue to address needs outside of the CIP. All deferred maintenance projects have been prioritized and funding will be applied in priority order.
- **Streets** – Using the 2010 General Obligation (GO) Bonds, the City will continue to resurface many deteriorating streets and pave dirt streets throughout the City. This budget includes **\$750,000** to begin to accumulate funds to address ongoing resurfacing needs on an annual basis in the operating budget.
- In FY2010-11, Parks and Recreation began implementing a **playground safety surfacing maintenance plan** to address deficiencies in playground surfacing across our park system. The department continues to make tremendous strides in tackling the first challenge which was to bring all existing playground structures up to an acceptable standard of care, based on national industry standards. Once this is achieved, the second challenge will be to maintain the playgrounds at that acceptable standard by insuring that annual de-compacting of surfacing material and application of top dressing is completed.

Director, Bertha Johnson and the entire BMS staff as they have been at the forefront of not just the budget development process but also the continued execution of our Strategic Plan, aligned departmental strategic plans and many other process improvement initiatives this past year. Together we will continue to strive to make Durham a place of excellence where great things happen.

Respectfully Submitted,

A handwritten signature in blue ink, reading "Thomas J. Bonfield". The signature is fluid and cursive, with the first name "Thomas" and last name "Bonfield" clearly legible.

Thomas J. Bonfield
City Manager